



KANSAS
BUSINESS INCENTIVES



QUICK FACTS

Kansas Education

- Educating our youth is highly valued in this state to provide a quality and skilled workforce to our businesses. Kansas' education system is one of the best in the nation and a powerful factor in the state's economic growth. Ninety (90) percent of Kansas adults have a high school diploma, ranking Kansas 16th in that category. Over 30% of adults, 25 and over, have a college degree. In some areas, such as Johnson County in the Kansas City area, over 50% of the adults have a college degree. Kansas ranks in the **Top 10**, by CNBC, for workforce and education.
- Kansas has several major universities educating our future workforce: University of Kansas, Kansas State University, Wichita State University, Fort Hays State University, Pittsburg State University, Emporia State University, Washburn University and 26 community and technical colleges statewide.

Kansas Transportation

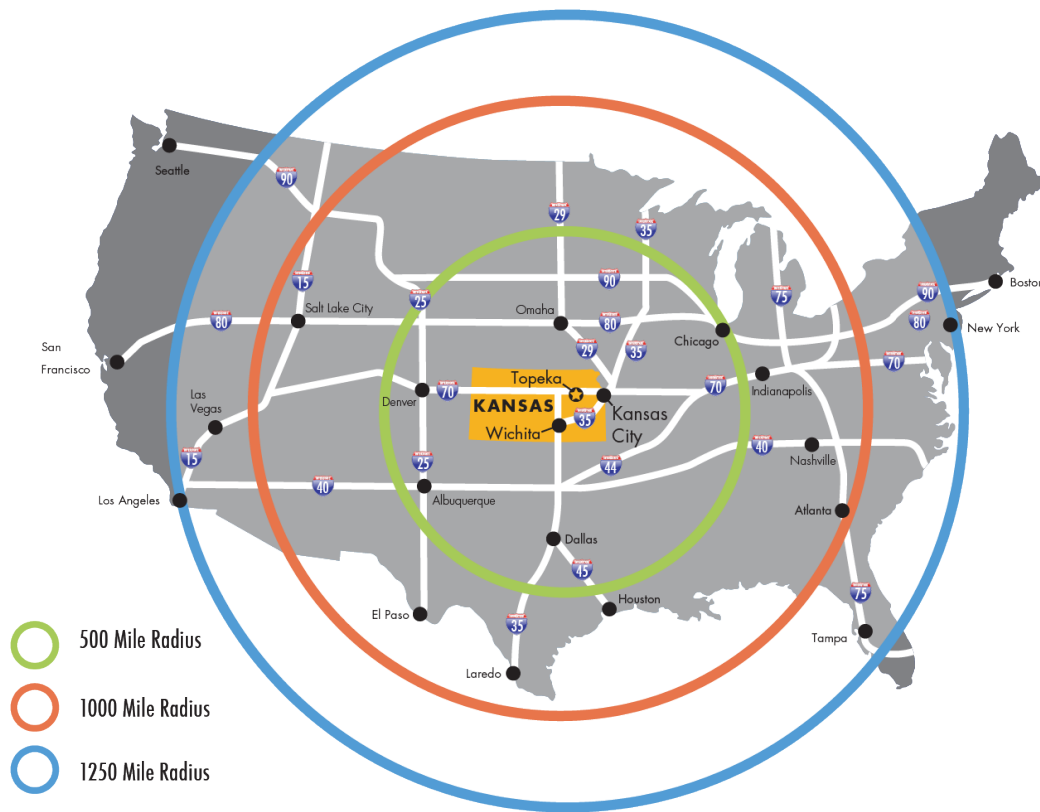
- Kansas' strategic location at the convergence of I-35 and I-70 places it literally at the crossroads of America and allows next-day freight delivery to nearly 70 percent of the U.S. Trucks leaving Kansas can quickly and efficiently reach the international ports on either coast or the NAFTA trade partners to the north and the south.
- Kansas takes great pride in its excellent road system, which has resulted in Kansas being consistently ranked high for having the best roads in the nation. In addition, our state

ranks third in total road mileage nationally.

- Kansas ranks in the **Top 10** in the U.S. in railroad mileage. Four Class I and 13 Class III (short-line) rail carriers ensure freight service to virtually anywhere in Kansas. Kansas City is one of the nation's leading freight rail hubs ranking first in annual rail tonnage and second in annual rail volume. BNSF Railway built a new 550-acre rail intermodal facility with easy access to I-35, capable of up to three million square feet of direct-rail served property.
- The largest airports are Kansas City International and Wichita Dwight D. Eisenhower National Airport which offer convenient air service with multiple national and regional carriers. Eight regional airports also offer commercial air service.

Kansas Electricity, Natural Gas and Telecommunications

- Electricity costs in Kansas are below the national average supplemented by the excess electric generating reserve and transmission capacity through the three largest investor-owned companies in the state.
- Kansas is also below the national average for natural gas prices for industrial consumers. The 4,800 square-mile Hugoton Gas Field makes the state a leading natural gas exporter.
- Thanks to Kansas' central location, businesses have access to east-west and north-south major trunk lines, connecting to a nationwide fiber optic network.



OVERVIEW

The Kansas Department of Commerce is the lead economic development agency in the state. Our goal is to enhance the business climate by bringing businesses to the state and assisting businesses that already call Kansas home. We want to continue to show businesses worldwide the quality of our business climate and why Kansas is a great place to live and work.

NOTABLE KANSAS COMPANIES

Major companies, such as Amazon, Mars, Black & Veatch, Unilever, Hostess, American Multi-Cinema, Dairy Farmers of America, and Teva recently selected Kansas as their preferred business location. These companies selected Kansas due to the business advantages our state can offer, advantages that translate to increased performance and profits.



SITE LOCATION ASSISTANCE

The Business Recruitment Team for the Kansas Department of Commerce can assist with various site location needs. Whether you're seeking buildings or sites, our team has the resources and information to help you make an informed decision. Our Business Recruitment Team creates customized incentive proposals for clients based on capital investment, job creation, employee salaries and each company's unique needs. We also coordinate with community economic development professionals for local incentives such as discounted building and land purchases, reduced property taxes, build-to-suit agreements and finance packages. All types of assistance offered for new company locations are also available for subsequent expansions.

FINANCE PROGRAMS

Promoting Employment Across Kansas (PEAK) -

This program offers qualified companies the ability to retain 95 percent of their payroll withholding tax for up to five to seven years. PEAK is available for new operations in Kansas as well as relocated operations to the state. Companies need to create at least 10 new jobs within two years in metropolitan areas or five new jobs within two years in all other counties of the state. High-impact projects that create 100 new jobs within two years can retain 95 percent of payroll withholding tax for a period of up to 10 years.

The number of years that the withholding tax can be retained depends on how much the annual median wage of the jobs in the project will exceed the current county median wage and the discretion of the Secretary of the Kansas Department of Commerce. If the aggregate median wage of the new jobs does not qualify the project for PEAK, the annual average wage of the new jobs can be used. Qualifying through the use of the average wage limits the benefits received. A PEAK application must be submitted before locating or creating PEAK-eligible jobs in Kansas.

Industrial Revenue Bonds (IRBs) -

Industrial Revenue Bonds are a popular method of financing up to 100 percent of a growing business' land, building and equipment. IRBs are securities issued by cities and counties to provide funds for creditworthy companies to acquire land, construct and equip new facilities or remodel and expand existing facilities. IRBs allow fixed-rate financing for the life of the bond for the project.

Community Development Block Grant (CDBG) -

The Small Cities Community Development Block Grant - Economic Development (CDBG-ED) program is a source of financing for companies that are expanding an existing facility or starting a new operation in the non-metropolitan areas of Kansas. The maximum amount of funds available is \$750,000 per project.

There are two parts to the program: business finance and infrastructure. Under the business finance component, funds are available for working capital, machinery and equipment and real property. The interest rate is currently set at four percent. The term of the loan is based on the class of the asset being financed. The working capital loan has a term of five years, machinery and equipment 10 years and real property 15 years. If the project finishes by the end of the 24-month contract period without any issues, delays, etc., a 25 percent discount will be applied to the principal portion of the loan at the time of project closure. Under the infrastructure component, funding is available for water lines, sewer lines, roads, rail spurs and pre-treatment facilities. Infrastructure funding requires that 25 percent of the funds be paid back over a 10-year period at a rate of zero percent. This is accomplished through a special assessment placed on the real property.

In order to obtain the funds, the city or county governing body applies on behalf of the private business. Applications are accepted from January 1 through December 10. Funding requires the creation or retention of one full-time job for up to \$35,000. The maximum amount of CDBG assistance can be up to

\$750,000. At least 51 percent of the jobs created or retained must meet HUD's low- and moderate-income (LMI) test, which is based on median family income in the county in which the project is located.

WORKFORCE DEVELOPMENT ASSISTANCE

The Department of Commerce has two workforce training programs to offset a company's training costs. Companies creating new jobs may qualify for Kansas Industrial Training (KIT) assistance. Eligibility for the program depends on the number of jobs created and the corresponding wages. We also have the Kansas Industrial Retraining (KIR) program to retrain a Kansas company's existing workforce on new technology or production activities. Projects involving a Kansas Basic Industry – which includes manufacturing, distribution or regional/national service facilities – may qualify for these programs. Both of these programs offer direct financial assistance to pay a negotiated portion of the costs to train a company's employees. Companies may apply the assistance toward items such as instructors' salaries; video development; textbooks and training manuals; supplies and materials; curriculum planning and development and minor training equipment.

A wide variety of services are available through the Kansas Workforce Centers located throughout the state. Services can include: statewide and national job listings; applicant pre-screening and application acceptance; space to conduct interviews as well as staff to assist in scheduling; space for job fairs; applicant assessment services and testing; Veteran services; and current labor market information. These services are available to all Kansas employers at no cost and may be accessed through www.kansasworks.com or by contacting the local Kansas Workforce Center.

INCOME TAX INCENTIVES

High Performance Incentive Program (HPIP) -

This program provides a 10 percent corporate income tax credit on the qualified capital investment of an eligible company. Qualified

capital investment can include such items as the purchase or lease of a facility or equipment, remodeling or build-out costs, fixtures, furniture and computers. Equipment transferred into Kansas is also credited at the original acquisition cost. The 10 percent tax credit is awarded to companies that:

- Pay above-average wages.
- Invest at least 2 percent of payroll in training or are actively participating in one of the state's workforce training programs.
- In major NAICS category of 221,311-339,423-425,481-519,521-721 or 811-928.
- For certain industries, more than half of revenues must be from Kansas manufacturers and/or out-of-state commercial or government customers.
- For any investment on which the company anticipates claiming a related tax credit through HPIP, a **Project Description** form **must** be submitted before the company has committed to that investment.

Credits must be used within a consecutive 16-year period. The minimum investment threshold to qualify for HPIP is \$1 million for the urban counties of Douglas, Johnson, Sedgwick, Shawnee and Wyandotte. For all other counties, the minimum investment threshold is \$50,000.

Machinery & Equipment Expensing Deduction -

Eligible Kansas taxpayers are allowed to claim an expense deduction for business machinery and equipment, placed into service in Kansas. This is a one-time deduction for each qualified purchase of machinery and equipment in the year that it is placed in service. Unused expense deduction is treated as a Kansas net operating loss that may be carried forward for 10 years. Eligible investment is machinery and equipment depreciable under the Modified Accelerated Cost Recovery System (MACRS) in section 168 of the Internal Revenue Code, or canned software as defined in section 197 of the Internal Revenue Code. Examples of eligible equipment include manufacturing equipment, office furniture, computers, software and racking.

PROPERTY TAX INCENTIVES

Machinery and Equipment Property Tax Exemption -

Commercial and industrial machinery and equipment acquired by qualified purchase or lease or transferred into the state is exempt from state and local property tax. The exemption pertains to machinery and equipment used in the expansion of an existing facility or the establishment of a new facility. The exemption covers machinery and equipment used in manufacturing or warehousing/distribution, commercial equipment, computers, desks and chairs, copiers and fax machines.

Property Tax Abatement -

Cities or counties may exempt real property from ad valorem taxation. The tax abatement can include all or any portion of the appraised buildings, land and improvements. A total or partial tax abatement may be in effect for up to 10 years after the calendar year in which the business commences its operations. Any property tax abatement is the decision of the city or county.

SALES TAX EXEMPTIONS

The Kansas state sales and use tax rate is 6.50 percent. However, there are several sales tax exemptions available which include:

- Labor services related to original construction
- Remodeling costs, furnishings, furniture, machinery and equipment for qualified projects
- New machinery and equipment for manufacturing and distribution. This also includes pre- and post-production machinery and equipment, including raw material handling, waste storage, water purification and oil cleaning, as well as ancillary property such as gas pipes, electrical wiring and pollution control equipment
- Tangible personal property that becomes an ingredient or component part of a finished product
- Tangible personal property that is

immediately consumed in the production process, including electric power, natural gas and water

- Incoming and outgoing interstate telephone or transmission services (WATTS)
- Real and personal property financed with an Industrial Revenue Bond.

RURAL OPPORTUNITY ZONES

Rural Opportunity Zones (ROZ) are designed to spur economic development in and expand job growth in 77 key counties around the state. The program has two main incentives:

- A state income tax exemption for up to five years to individuals who move to a ROZ county from outside the state. Individuals must not have lived in Kansas for the past five years, nor have Kansas source income of more than \$10,000 per year over the past five years.
- Student loan forgiveness of up to \$3,000 per year (\$15,000 maximum benefit) for individuals who graduate from an accredited post-secondary institution and move to a ROZ county. The student loan forgiveness portion of the program is a county-state partnership, and counties must opt in to participate.

OTHER TAX INCENTIVES AND BUSINESS INITIATIVES

Right-to-Work State - Union membership in Kansas is 7.4 percent, well below the national average.

Inventory Tax Exemption - All merchant and manufacturers' inventories are exempt from property taxes by state law.

Research Tax Credit - Kansas offers an income tax credit equal to 6.5 percent of a company's investment in research and development above the average expenditure of the previous three-year period. Twenty-five percent of the allowable annual credit may be claimed in any one year.

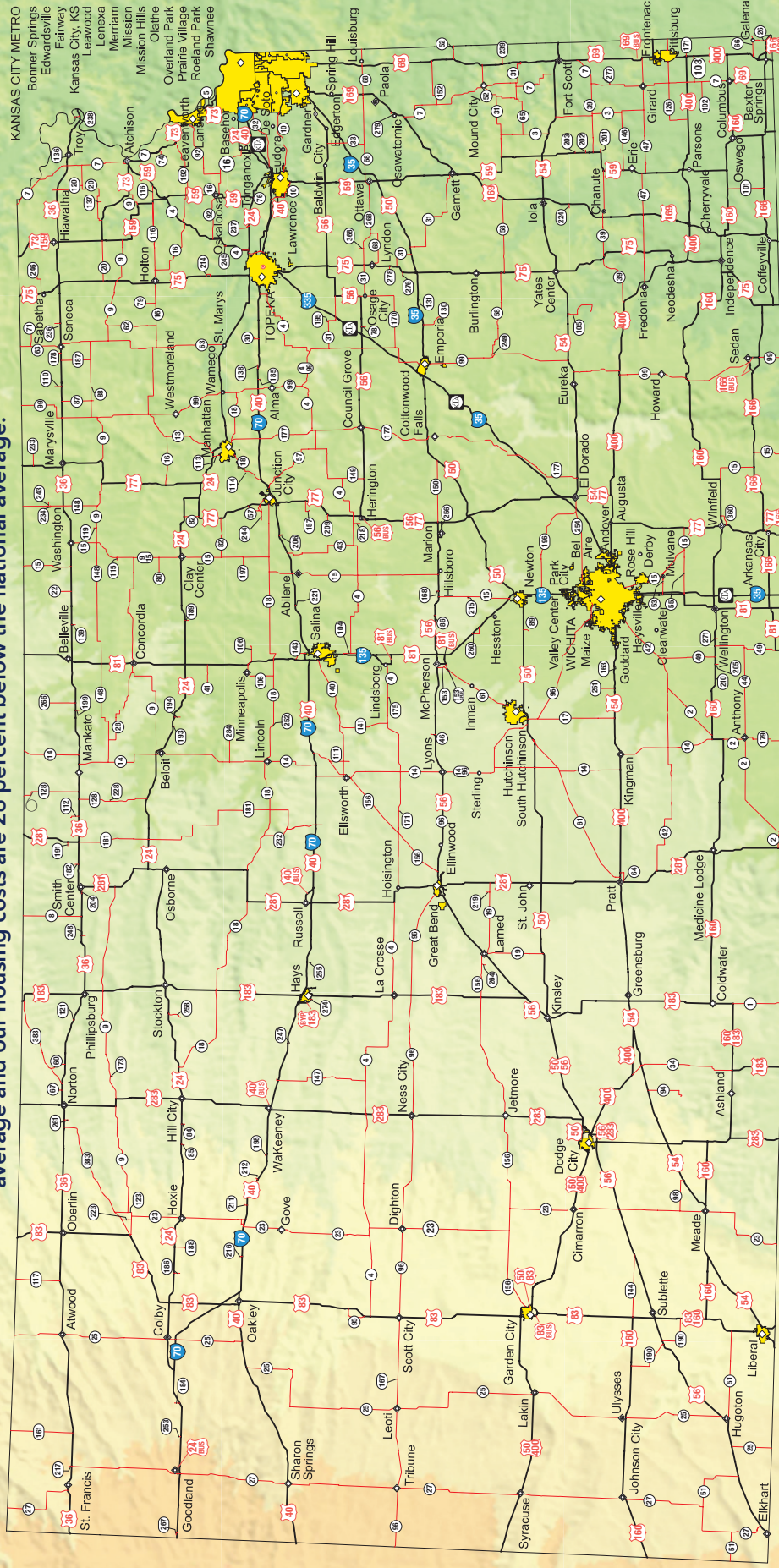
No Local Income Taxes - Kansas cities and counties do not impose an earnings tax on personal or corporate income.

No Kansas Franchise Tax - Kansas eliminated its franchise tax in 2011.

Workers' Compensation - Kansas ranks 11th lowest in the U.S. for worker compensation rates.

Kansas

Kansas ranks in the top 10 for a low cost of living. Our cost of living is 8.7 percent below the national average and our housing costs are 28 percent below the national average.*



DIVERSIFIED ECONOMY

U.S. Dept of Commerce Bureau of Economic Analysis, 2016

Services	47.40%
Manufacturing	15.08%
Finance, insurance & real estate	16.14%
Transportation & wholesale trade	10.58%
Agriculture & mining	4.31%
Retail trade	6.56%

STATE POPULATION

AREA 82,282 sq. miles

LARGEST CITIES

Wichita	389,965
Overland Park	187,699
Kansas City, KS	151,709
Topeka	178,915

MSA - 644,610
MSA - Over 2 million
MSA - Over 2 million
MSA - 234,195

*Source: Median Value of owner-occupied housing units for 2015 as reported by the U.S. Census Bureau.



Kansas Department of Commerce
1000 S.W. Jackson St., Suite 100
Topeka, Kansas 66612-1354

**To learn more about the benefits of doing business in Kansas,
please contact**

Susan NeuPoth Cadoret

Phone: (785) 296-5298

Email: Susan.NeuPothCadoret@ks.gov

International Trade, please contact

Randi Tveitaraas Jack

Phone: 785-296-7868

Email: Randi.TveitaraasJack@ks.gov

KansasCommerce.gov



KansasCommerce



Scan this QR Code
for more information